November 3, 2014

The Honorable Joan Carter Conway
2 West Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

The Honorable Peter Hammen
241 House Office Building
6 Bladen Street
Annapolis, Maryland 21401

Dear Chairpersons Conway and Hammen:

I am writing to provide an update to the October 8 letter that the Department of Human Resources (DHR) sent regarding the steps that it has taken to help improve our monitoring of the financial condition of group homes and foster care providers for children in Maryland.

As noted in our initial letter, these financial incident forms are designed to improve financial reporting between audits and are designed to alert the State to common financial conditions that could potentially affect the quality care. Providers who answer "yes" to any of the eight questions on this form enter into a corrective action plan with the Department.

Please note that each "yes" answer is handled by the Department on a case-by-case basis and does not necessarily mean that the provider is unable to provide adequate care. As always, our primary concern is the safety and well-being of the children who reside at these facilities.

Our October 8 letter noted that, while 95 percent of all providers reported no issues, there were six providers who had unresolved financial concerns. Below is an update on the status of those six providers. Providers in the summary are listed in alphabetical order (new information is bolded and italicized).

1. Brotherhood and Sisterhood International Inc. (BSI): BSI is a group home for those living with developmental disabilities licensed by the Department of Health and Mental Hygiene (DHMH) with which DHR maintains a contract. BSI's Directors and Officer liability insurance policy was cancelled by its carrier on May 24, 2014 due to fiscal issues at BSI. DHR notified DHMH of the cancelled insurance and DHMH required BSI to implement a corrective action plan. ***BSI obtained the necessary insurance policy on October 15 resolving this issue.***

2. Creative Adoptions: Creative Adoptions is an adoption agency that owes approximately $10,000 in state taxes. The firm is currently working with the appropriate offices in Maryland to pay back taxes and resolve the issue. ***Full payment of back taxes continues to be expected by December 31 which should resolve the issue.***

3. Hebron Association, Inc.: Hebron is a group home for those living with developmental disabilities that is licensed by DHMH with which DHR maintains a contract. Hebron reported a liability relating to non-payment of unemployment taxes in June 2014. On October 2nd, DHR received notification from the Maryland Unemployment Insurance/Contribution Division that Hebron has resolved the liability. ***Hebron continues to be in compliance with this requirement.***

4. Kidspeace: This firm is a child placement and adoption agency that operates in several states. A child placement agency recruits, trains, and pays foster parents who have children in their home. The firm entered into bankruptcy protection in to allow for financial restructuring. Kidspeace voluntarily disclosed the bankruptcy plan and the Department's Office of Inspector General reviewed the firm's plan to emerge from bankruptcy to ensure that child safety would not be affected. On September 23, 2014, the Bankruptcy Court issued a final decree indicating that Kidspeace plan of reorganization has been substantially consummated, and that the Bankruptcy estate has been fully administered. ***DHR completed a follow-up financial monitoring visit on September 24. During the review, the Department reviewed employee payroll payments, foster parent and vendors payments, and bank and tax statements. The review showed no indication of financial insolvency documented in the records. DHR's next scheduled monitoring visit is scheduled for November 6.***

5. Linwood Center: During a site visit on May 28th site visit, the Maryland State Department of Education (MSDE) found some billing issues for some days of service billed to Medicaid for three children and requested that Linwood Center submit a corrective action plan by October 5, 2014. Linwood Center has submitted the report from MSDE to their independent auditors who are in the midst of completing their annual audit. The auditors have offered that the issue will not affect the solvency of the Linwood Center. DHR will review the corrective action plan submitted by Linwood during its next quarterly review in October 2014. ***Linwood submitted its corrective action plan to MSDE on October 13. MSDE reported the CAP is pending review and will provide a response to Linwood within 30 days. Linwood's Program Administrator stated that Linwood remains financially solvent.***

6. Residential Care Incorporated (RCI): RCI is a child placement agency that is continuing to have financial difficulties and has trouble meeting the corrective action plans required by the Department. As a result, the Department is working to reassign the foster families associated with RCI and cancel RCIs contract with the Department. The reassignment will have little to no impact on the foster parents or children involved. ***DHR is terminating RCI's contract effective December 24 and all foster families are being transitioned to a new provider agency. As of October 31, all of the 33 children have begun or completed the transition to a new provider agency and one child was reunified with their family.***

Please do not hesitate to contact me should you have any questions or if I can be of any further assistance.

Sincerely,

Theodore Dallas

c: Joshua Sharfstein, M.D., Secretary, Department of Health and Mental Hygiene